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SUBJECT: BRAZIL: OFFICIALS DISCUSS CUBA, BOLIVIA, ENERGY
COOPERATION WITH STAFFDEL LEWIS

REF: A. 09 BRASILIA 000262

[1](#)B. 08 BRASILIA 1638

[1](#)C. 08 BRASILIA 1637

[1](#)D. 08 BRASILIA 1636

[1](#)E. 09 BRASILIA 00158

[1](#)1. (SBU) Summary: On February 19, Jessica Lewis, Senior Foreign Policy Adviser to Senate Majority Leader Harry Reid and Caroline Tess, Professional Staff Member and Senator Bill Nelson, s designee to the Senate Select Committee on Intelligence met with Brazilian government officials from the office of the presidency, Ministry of Exterior Relations, Ministry of Finance (ref a), Ministry of Environment, and the Brazilian Senate to discuss Brazil, s role in the global financial crisis, regional politics, hemispheric energy initiative, and climate change. Brazilian interlocutors expressed support for increased bilateral cooperation on energy, but sent mixed signals on hemispheric cooperation in that area. Brazilian officials also expressed hope that the United States would begin showing signs of a shift in its policy on Cuba, and greater understanding of the fundamental changes taking place in Bolivia, Ecuador and Venezuela which require a more nuanced U.S. approach to the region. End summary.

Planalto: Cuba Should Be U.S. Priority

[1](#)2. (SBU) During the visit, Staffdel Lewis met with Ambassador Marcel Biato, Assistant to Marco Aurelio Garcia, President Lula, s foreign policy adviser. Biato was pleased to note the frequent opportunities the two governments will have over the coming weeks to move the bilateral relationship forward, including Foreign Minister Amorim, s meeting with Secretary Clinton, the upcoming Lula visit to Washington in March and the Summit of the Americas. Biato also noted that in a conversation with Chilean President Bachelet, President Obama had pledged to send a high-level representative to the Progressive Governance Conference that will take place in Chile from 27-28 March and will count on the participation of President Lula as well as dozen other world leaders.

[1](#)3. (SBU) Asked about Brazil, s impressive hosting of four simultaneous summits in Salvador late last year (see refs b-d), Biato noted that it was part of Brazil, s effort to form an institutional basis for a formal and more intensive regional agenda that reflects a region that is capable of taking responsibility for its own problems and a re-alignment in terms of the power structure of the region. As part of that more intensive agenda, Biato added, Brazil has made it a priority to include Cuba in these fora. Without Cuba, Biato observed, "you would have a black hole and not a truly regional approach". Commenting the expectations of the Brazilian government had for the new U.S. Administration, Biato noted that Brazil hoped that President Obama would signal a greater openness on the Cuba question. Any change in approach to Latin America, Biato added, must include Cuba as a priority. He emphasized that Cuba is not a monolithic society, even in among the ruling class, and noted that during a visit to Cuba by President Bachelet to meet with Raul Castro, Fidel Castro made critical comments about Chile, s relations with Bolivia, to which Raul Castro had dismiss to Bachelet. Biato noted, however, that while the Brazilian government understood that it would be difficult to expect a major shift in policy before the Summit of the Americas, what it was looking for was a gesture or a "sense of momentum" towards an overall change of approach.

[1](#)4. (SBU) Discussing Brazilian expectations heading into the

Summit of the Americas, Biato noted that more than specific laundry list of policies, which would imply that the United States had decided on its own the course its Latin American policies would follow without first consulting with the region,s leaders, Brazil hoped for an overall sense of direction. For example, on the issue of hemispheric energy cooperation, Biato noted that Brazil would be open to such a concept, but that it would be surprising if President Obama offered a structured approach, rather than broad themes and goals. (Note: Biato,s openness on hemispheric energy

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cooperation stands in contrast with the more negative reception the idea has received in Itamaraty as reported in ref e and below. End note.)

Brazil will help on Bolivia, Venezuela

15. (SBU) Turning to the three most problematic countries from the U.S. perspective, Bolivia, Ecuador, and Venezuela, Biato noted that the United States will have to accept a certain level of discomfort as these countries were undergoing fundamental changes that both the United States and Brazil will have to learn to accommodate. He added that both Brazil and the United States are in similar situation, in that there is anti-Americanism and a growing anti-Brazilianism in these countries, and that Brazil, despite suffering graver consequences than the United States, when these countries undergo periods of instability, has learned to live with it for the sake of stability in the region. He noted, as an example, that despite a healthy rainy season providing sufficient hydroelectric power to obviate the necessity to import Brazilian gas, Brazil has decided to keep the gas imports going for the sake of providing support and revenue for Bolivia.

16. (SBU) Staffdel members raised the issue of Bolivia, expressing concern about the Bolivian Government,s actions on regarding the presence of the U.S. Ambassador and the DEA. Biato noted that it was a concern for Brazil as well, and that President Lula will raise these concerns with President Morales and ask for a gesture from the Bolivian president, adding that it was not in Brazil,s interest to have DEA out of Bolivia, since Brazil lacked the capability to pick up the slack in that area. In a similar vein, Biato added that President Chavez had asked President Lula for help in re-establishing dialogue with the United States.

Itamaraty: Bilateral, Not Hemispheric, Energy Cooperation

17. (SBU) The Ministry of Exterior Relations, (MRE) Director of the Department of Energy, Andre do Lago, discussed both international energy policy and climate change. With respect to biofuels, he thought that the United States and Brazil were natural partners, since they are the two largest producers and consumers. He said that while some had tried to drive a wedge between the two countries based on the differences between corn and sugarcane based ethanol, the Brazilians realized that this would be counterproductive. Also, he said that both countries had overcome internal concerns over biofuels. He would like to see increased efforts on turning biofuels into a global commodity. Brazil had developed a good bilateral energy relationship with the United States during the Bush Administration, and do Lago sought to build and expand that relationship.

18. (SBU) Brazil was in its early days in developing its oil and gas policy, do Lago commented. Until the recent off shore discoveries, the GOB had not thought of itself in terms of a major oil producer. There is concern about the oil "curse" and Brazil hopes to pursue a "balanced" course, close to what Norway has done, he added. One element is determining what sort of national entity will be responsible for developing the new offshore oil finds. Referring to the ongoing deliberations of the intergovernmental ministerial committee, Do Lago predicted that this should be sorted out by the time President Lula goes to the United States in mid-March. (Note: There have been predicted timelines for announcement for a final decision on the oil sector regime, all of which have come and gone as the committee continues to consider alternatives. According to sources taking part in the negotiations, there is no clear date for decision making on the horizon. End note.) Moreover, he added, the energy relationship with the United States is maturing, as shown by the state-dominated oil company Petrobras making major investments in the United States. Still, he commented, Brazil has not yet decided what to do with its new found oil riches. There is disagreement over whether to partner with the United States or Europe, or possibly with China or Japan.

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(Note. Do Lago reported that earlier in the day Brazil had

signed four agreement with China on energy, including one calling for China to invest US\$10 billion in developing the offshore finds in return for agreeing to sell a portion of the oil produced to China. Regardless of what type of governmental cooperation may be developed, the GOB has expressed its continued interest in U.S. private sector involvement in exploiting its oil reserves, where several U.S. firms are currently active with Exxon in a partnership role with Petrobras in some of the new deep sea blocks. End note.)

19. (SBU) Do Lago would like to see closer and stronger ties with the United States in the energy sector. He pointed to the 2003 energy Memorandum of Understanding (MOU) as the vehicle for enhanced cooperation. At the same time, do Lago voiced skepticism about a hemisphere wide approach, as envisioned in legislation proposed by Senator Lugar last year. He explained that with Venezuela,s Hugo Chavez and his friends there did not seem much chance for proceeding; though he did not say that Brazil itself would be obstructing (nor helping) such hemisphere-wide efforts. Do Lago noted that the South American regional organization UNASUL was working on energy, and it expected to launch negotiations of a regional treaty in March. He opined that if the USG pursued a Western Hemisphere energy agreement that it would fail just as did the Free Trade Agreement of the Americas (FTAA), which was not a happy experience. (Note: These comments echo a conversation Ambassador Sobel had with Do Lago,s immediate superior, Andre Amado reported ref d. End note.)

Climate Change and Copenhagen: The United States is being set up

10. (SBU) Turning to climate change, Do Lago explained that he was very familiar with the subject, though no longer had direct responsibility within MRE. He stated that Brazil firmly felt that negotiations should be just under the UN Framework Convention on Climate Change (UNFCCC) and that discussions elsewhere -- such as at the G-8 and the Major Economies Meeting -- were distractions and counterproductive. He was gloomy about the UNFCCC conference in December in Copenhagen, lamenting the overly high expectations. There are two things going on he explained: (1) the members of the Kyoto Protocol with obligations (which excludes the United States and Brazil) are working out the next round of their commitments; and (2) the members of the UNFCCC will negotiate a set of national targets. In the latter case, the United States, China, India and Brazil should present "interesting national climate change plans" and the Europeans and other Kyoto Protocol members will have to take on new targets. He warned that the Europeans really want to get out of Kyoto Protocol obligations and are setting up the United States for the blame. He said, the Europeans, Canada and Japan are "preparing something very nasty for you in Copenhagen." They want to see an agreement come out that is unpalatable to the United States, which would lead to a failure in Copenhagen and so would excuse them from taking on new obligations under the Kyoto Protocol. Thus, the United States and Brazil need to work together, he said, to avoid letting the Kyoto Protocol members off the hook.

Brazil,s New Climate Change Plan

11. (SBU) Vice Minister of Environment Izabella Teixeira described the efforts of the GOB in addressing climate change in Brazil. She highlighted the new National Plan on Climate Change, which was promulgated in December, and which covers the full gamut of issues. The Environment Ministry leads the GOB,s efforts to coordinate efforts that involve not just environmental concerns, but also economic and social ones. Implementation of the plan means working with the economic and political actors, such as the Ministry of Mines and Energy and the Finance Ministry. In fact, the National Climate Change Plan involves 17 ministries coordinated by the

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President,s office. This plan constitutes a first draft of a roadmap for Brazil and the focus is not just on deforestation, but also energy generation, energy efficiency, and industrial activity. With respect to deforestation, she stressed the importance placed on straightening out the lack of land titles in the Amazon. Further, President Luis Inacio Lula da Silva intended to meet in March or April with the mayors of the 36 municipalities with the highest rates of deforestation to seek a political pact on how to address this problem. The GOB intends to link access to government support, including that from the national Amazonia Fund, to the municipalities efforts to control deforestation. Teixeira stated that today the Environment Ministry looks at more than just the "Green Agenda" of biodiversity and conservation, they also deal with "complex economic and political issues surrounding climate

change."

112. (SBU) On energy, Teixeira stated that Brazil wanted to have a cleaner energy matrix, which mean generating more renewable energy, using biofuels, and replacing older, dirtier fossil fuel plants with ones that use cleaner natural gas. She said that Brazil would need to modify its licensing regime for infrastructure projects. Also, she wanted to use the U.S. Minerals Management Service (MMS) as a model for auctioning off oil and gas blocks. (Note: The revision of the Brazilian system for the auctioning or contracting of oil and gas blocks is currently under examination by an inter-governmental ministerial committee. While Teixeira,s expressed preference is interesting, it does not necessarily represent the view of the deciding committee. End note.) Teixeira expressed interest in increasing collaborative research with the United States in the areas of biofuels, other energy sources, and climate change. In general, she looked forward to developing a more robust bilateral relationship with the United States. Teixeira was optimistic about the upcoming Lula-Obama meeting in March. She intended to reach out to Brazilian Senators and Deputies planning to accompany Lula to the United States on possibilities of greater collaboration.

Congress: Pleased with Cooperation on Biofuels

113. (SBU) In a meeting with Thalys Murrieta, senior staffer to Senator Joao Tenorio primarily to discuss energy issues, Murrieta shared his interest in seeing both congresses more involved in the bilateral biofuels MOU. He noted that while there was strong interest in Brazil in seeing the United States eliminate the ethanol tariff, his senator,s particular view was that it helped ensure a continued U.S. ethanol demand in the long run by developing a domestic U.S. market for ethanol. He noted his pleasure with the expansion of third country ethanol development assistance. In Murrieta,s assessment, this expansion is a positive step towards biofuels becoming a viable worldwide commodity, recognizing that the United States and other potential large markets were unlikely to trade dependence on foreign oil for dependence on foreign ethanol. Lewis suggested that once administration officials were in place and better able to indicate priorities for energy and the region that Congress would be in a better position to determine its agenda on these issues. She pointed to the Senate Foreign Relations Committee where Chairman John Kerry has made global climate change a signature issue, as one committee that may have receptivity to working on energy issues with Brazil.

Opposition: Foreign Policy is Government,s Weakness

114. (SBU) In a meeting with Senator Arthur Virgilio, Brazilian Social Democracy Party (PSDB) leader in the Senate, the senator emphasized the need for Obama Administration to reverse what he saw as a trend of policy toward the region that has been too distant in recent years, while noting that it would be natural for the economic crisis and pressing matters in the Middle East to remain top priorities. Asked about his views on the current government and what

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differences would characterize a future PSDB presidency, Senator Virgilio offered blistering criticism of the direction of the current government,s foreign policy, particularly its overly acquiescent approach to Bolivia, Ecuador, and Venezuela, and what he thought was an overemphasis on the current South-South approach to foreign relations, to the detriment of Brazil,s relationships with its traditional partners in the United States and Europe. Regarding Venezuela,s chances of getting into Mercosul, Virgilio noted that he woulddo everything in his power to keep Venezuela out but it was only a matter of time before the Senae accepted its entry.

115. (SBU) Turning to dometic politics, Senator Virgilio noted that he peronally wished that Sao Paulo Governor Jose Serr would be the PSDB,s standard bearer in the 2010presidential elections, but that he hoped that the SDB would hold some kind of primary in order to etermine the candidate, rather than the party eltes picking him. Ultimately, he added, a primary would force both Serra and Minas Gerais governor Aecio Neves to travel the country and be forced to visit states like his own, Amazonas, to truly learn of the concerns of the different states, and would ultimately make for a stronger candidacy. He added, in reference to possible Workers Party candidate Dilma Rouseff, that she was a leftist ideologue who would have made a "great minister for Peron", but lacked the charisma, personal charm, and pragmatism to govern effectively.

116. (U) Staffdel Lewis reviewed this message.

